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SUBJECT: KOUNDARA - ECONOMIC ACTIVITY AND COMMENTS ON THE EXPORT BAN

11. (U) SUMMARY: In a visit to the northern town of Koundara the week of June 2, LES Asst Econoff met with local authorities, civil society organizations, and customs agents to discuss general economic activity and Guinea's agricultural export ban. Koundara is a major agricultural producer as well as a commercial junction between Senegal and the rest of Guinea. END SUMMARY.

ECONOMIC ACTIVITY

12. (U) Koundara is primarily an agricultural zone producing rice, peanuts, corn, millet, sorghum, fonio (local grain) and fruit. The livestock of Koundara is estimated at 110,000 cattle for a population of 106,000 inhabitants. As the main junction between the Senegal and the rest of Guinea, many other Guinean agricultural products are exported through Koundara such as palm oil, fruits, and potatoes. The main commercial transactions take place in the weekly markets of Koundara - Sarebhoedo, Termesse, Youkounkoun and Sambailo - which supply the Diawbe market (Senegal), one of the biggest weekly markets in the sub region. As the banking sector is virtually non-existent, most financial transactions are done using traditional methods, such as buying and selling directly using cash or bartering. There is one savings bank that provides small loans.

EXPORT BAN

13. (U) According to Toumany Sangare, Director of the Koundara Customs, Koundara is the largest import-tax revenue collector after the ports of Conakry and Kamsar, collecting around 6 billion GNF (\$1.33 million) for fiscal year 2007. As a result, the export ban instituted by former Prime Minister Kouyate a few months ago has had a substantial impact on the population and economy of Koundara. Local authorities in favor of the ban argue that it will increase local purchasing power. However, according to some others, the ban has not lowered prices in local markets because banned goods are being smuggled to neighboring countries (Senegal and Guinea Bissau).

14. (U) According to Aicha Toure, a leading businesswoman and member of Koundara's Civil Society Council, the ban has negatively affected the population. She said that since the ban entered into force, many businesses have been forced to close and many construction projects have stopped.

15. (U) The Director of the Koundara Customs office, Mr. Toumany Sangare, said that the export ban is merely a political move, and it violates international, regional and sub-regional trade agreements. He added that last year's ban affected many businesses in Koundara. He reported that in 2007, at the early implementation stages of the export ban, 13 trucks carrying approximately 20 tons each of kola nuts were stopped at the border, and the entire shipment ended up spoiling as it sat in the extreme heat. He also noticed that some businesses have closed, and there is less vehicle traffic in Koundara and neighboring sous prefectures. Mr. Sangare thinks that the ban will deeply affect the Guinean economy, because neighboring

countries such as Ivory Coast, Sierra Leone, and Liberia are capitalizing on Guinea's ban in order to fill market niches formerly held by Guinean business people.

COMMENT

16. (U) There appears to be a mixed reaction in Koundara to the Government of Guinea's agricultural export ban. While farmers and businesses dealing with agricultural products are opposed to the export ban, local authorities are in favor, arguing that the ban will help bring down prices for consumers. Contacts could not provide any evidence of prices actually falling, as anticipated by the GoG. However, it was clear that some goods are being smuggled across the border in order to get around the export ban. END
COMMENT.

CARTER